



House of Representatives

File No. 913

General Assembly

January Session, 2007

(Reprint of File No. 93)

House Bill No. 7283
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
June 1, 2007

AN ACT ESTABLISHING A LONG-TERM CARE INITIATIVE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsections (a) to (c), inclusive, of section 38a-501 of the
2 general statutes are repealed and the following is substituted in lieu
3 thereof (*Effective October 1, 2007*):

4 (a) As used in this section, "long-term care policy" means any
5 individual health insurance policy, delivered or issued for delivery to
6 any resident of this state on or after July 1, 1986, which is designed to
7 provide, within the terms and conditions of the policy, benefits on an
8 expense-incurred, indemnity or prepaid basis for necessary care or
9 treatment of an injury, illness or loss of functional capacity provided
10 by a certified or licensed health care provider in a setting other than an
11 acute care hospital, for at least one year after [a reasonable] an
12 elimination period (1) not to exceed one hundred days of confinement,
13 or (2) of over one hundred days but not to exceed two years of
14 confinement, provided such period is covered by an irrevocable trust
15 in an amount estimated to be sufficient to furnish coverage to the

16 grantor of the trust for the duration of the elimination period. Such
17 trust shall create an unconditional duty to pay the full amount held in
18 trust exclusively to cover the costs of confinement during the
19 elimination period, subject only to taxes and any trustee's charges
20 allowed by law. Payment shall be made directly to the provider. The
21 duty of the trustee may be enforced by the state, the grantor or any
22 person acting on behalf of the grantor. A long-term care policy shall
23 provide benefits for confinement in a nursing home or confinement in
24 the insured's own home or both. Any additional benefits provided
25 shall be related to long-term treatment of an injury, illness or loss of
26 functional capacity. "Long-term care policy" shall not include any such
27 policy which is offered primarily to provide basic Medicare
28 supplement coverage, basic medical-surgical expense coverage,
29 hospital confinement indemnity coverage, major medical expense
30 coverage, disability income protection coverage, accident only
31 coverage, specified accident coverage or limited benefit health
32 coverage.

33 (b) No insurance company, fraternal benefit society, hospital service
34 corporation, medical service corporation or health care center may
35 deliver or issue for delivery any long-term care policy which has a loss
36 ratio of less than sixty per cent for any individual long-term care
37 policy. An issuer shall not use or change premium rates for a long-
38 term care insurance policy unless the rates have been filed with and
39 approved by the Insurance Commissioner. Any rate filings or rate
40 revisions shall demonstrate that anticipated claims in relation to
41 premiums when combined with actual experience to date can be
42 expected to comply with the loss ratio requirement of this section. A
43 rate filing shall include the factors and methodology used to estimate
44 irrevocable trust values if the policy includes an option for the
45 elimination period specified in subdivision (2) of subsection (a) of this
46 section.

47 (c) No such company, society, corporation or center may deliver or
48 issue for delivery any long-term care policy without providing, at the
49 time of solicitation or application for purchase or sale of such coverage,

50 full and fair disclosure of the benefits and limitations of the policy. If
51 the offering for any long-term care policy includes an option for the
52 elimination period specified in subdivision (2) of subsection (a) of this
53 section, the application form for such policy and the face page of such
54 policy shall contain a clear and conspicuous disclosure that the
55 irrevocable trust may not be sufficient to cover all costs during the
56 elimination period.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2007</i>	38a-501(a) to (c)
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The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill changes the elimination period under a long-term care policy and has no fiscal impact.

House "A" removes the potential minimal cost associated with the Insurance Commissioner determining the sufficient corpus amount of an irrevocable trust.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**HB 7283 (as amended by House "A")******AN ACT ESTABLISHING A LONG-TERM CARE INITIATIVE.*****SUMMARY:**

This bill changes the elimination period under a long-term care (LTC) policy. Under current law, an LTC policy must contain a "reasonable" elimination period (i.e., a waiting period after the onset of the injury, illness, or function loss during which no benefits are payable). The bill instead requires an elimination period that is (1) up to 100 days of confinement or (2) between 100 days and two years of confinement if an irrevocable trust is in place that is estimated to be sufficient to cover the person's confinement costs during this period.

With respect to the trust option, the bill requires that the trust (1) pay the health care provider directly and (2) create an unconditional duty to pay only confinement costs during the elimination period. It specifies that (1) the state, grantor, or person acting on behalf of the grantor may enforce this duty and (2) the trust remains subject to taxes and any trustee charges allowed by law.

The bill also requires insurers to include (1) in rate filings submitted to the insurance department, a description of how trust values were estimated and (2) on the application and policy face page, a conspicuous disclosure that the trust may be insufficient to cover all costs during the elimination period.

*House Amendment "A" replaces the underlying bill (File 93) with similar provisions regarding an LTC policy's elimination period and adds requirements for the irrevocable trust option.

EFFECTIVE DATE: October 1, 2007

BACKGROUND

Long-Term Care Policy

A long-term care policy is an individual health insurance policy that provides expense-incurred, indemnity, or pre-paid benefits for the necessary care or treatment of an injury, illness, or loss of functional capacity provided by a certified or licensed health care provider in a setting other than an acute hospital, including a nursing home and an insured's own home, for at least one year following the elimination period. It excludes policies that provide Medicare supplement, basic medical-surgical expense, hospital confinement indemnity, major medical expense, disability income protection, accident only, specified accident, and limited benefit health coverage.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 18 Nay 0 (03/08/2007)